Cost of Banking Operations

722. SHRI NARENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are considering a VRS policy for banks to cut cost of operations;

(b) if so, what are the details thereof; and

(c) whether this solitary measure would suffice to achieve the desired result or any other steps are also proposed to be taken to make the operations cost-effective and less time consuming?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) Regulation 29 of the Bank (Employees) Pension Regulation, 1995 provides for grant of pensionary benefits to those who voluntarily retire from banks' service on or after 1st November, 1993 after completing 20 years of qualifying service. While Government has not framed a new Voluntary Retirement Scheme, views of the Chief Executives of Public Sector Banks have been sought on desirability of introducing a Voluntary Retirement Scheme, similar to one in operation in public sector undertakings, with or without modifications.

(c) The cost of operations of a bank is a function of its cost of funds, its interest income, its non-interest income, its establishment cost and the spread with which it can operate. The employee strength of a public sector bank is only one of the factors which impinges on the cost of operations.

Loans of Farmers and Small Scale Industries in Orissa

723. SHRI C. RAMACHANDRAIAH:
SHRI RAMACHANDRAIAH RUMANDLA:

Will the Minister of FINANCE be pleased to state:

(a) whether government propose to extend loans to farmers and small scale industries in the cyclone ravaged Orissa through Nationalised Banks immediately;

(b) if so, the modalities thereof;

(c) the fund requirements therefore; and

(d) how quickly the loans would be disbursed particularly in worse affected districts of Jagatsinghpur, Kendrapara, Jajpur, Bhadrak, Baleswar and Cuttack?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (d) There are standing guidelines of Reserve Bank of India (RBI) to be followed by the public sector banks for providing relief in areas affected by natural calamities. These guidelines envisage inter-alia:

1. Conversion of short-term production loan into medium-term loans.
2. Rescheduling/postponement of existing term loans
3. Provision of additional need-based crop loans/working capital.
4. Relaxation in security and margin norms.

A special State Level Bankers Committee (SLBC) meeting was held on 18-11-1999 at Bhubaneshwar, Orissa which laid down following action plan to provide relief and financial assistance by banks to farmers and small scale industries:

(i) Immediately disbursement of rabi crop loan and seasonal vegetables with lower rate of interest to all affected and eligible farmers based on Collector's certificate;

(ii) Rescheduling of existing loans and to sanction fresh loans to the existing affected borrowers;

(iii) Consumption loans to be sanctioned to farmers;

(iv) Weavers, craftsmen, traders and small business to be looked after by providing fresh finance;

(v) A package of assistance to SSI units.

It was also decided in the said meeting that instead of fixing targets, banks would stress on coverage of all affected and eligible person. The UCO Bank which is State Level Bankers' Committee Convenor has indicated that after discussion with State Government officials credit requirement of Rs. 200 crores has been estimated for commercial banks and Regional rural Banks and Rs. 300 crores for co-operative banks.